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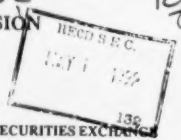
FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION



Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

BEST COPY AVAILABLE

Commission File No. 33-42783

NATIONAL REHABILITATION CENTERS, INC.

(Exact name of registrant as specified in its charter)

TENNESSEE	62-1240654
(State or other Jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 Powell Place
Suite 210
Brentwood, Tennessee 37027
(Mailing Address)
200 Powell Place, Suite 210, Brentwood, TN 37027
(Address of principal executive offices)
(ZIP code)

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Q-Data Corp. - St. Petersburg, FL
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(615) 377-2937
(Registrant's telephone number including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes __X__ No _____

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

As of April 30, 1992 there were 3,798,579 shares of National Rehabilitation Centers, Inc. common stock outstanding.

NATIONAL REHABILITATION CENTERS, INC.

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NATIONAL REHABILITATION CENTERS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	1992	1991
NET PATIENT SERVICE REVENUE (includes management fee from affiliate of $-0-, and $65,375, respectively)	$ 8,003,536	$ 4,911,478
OPERATING EXPENSES:		
Payroll and benefits	3,810,638	2,140,851
Contract services	1,388,705	885,737
Rent expense	417,204	292,597
Other direct operating expenses	1,124,183	717,284
Provision for uncollectible accounts	415,930	304,717
Depreciation and amortization	215,771	176,231
Total operating expenses	7,372,431	4,517,417
EARNINGS FROM OPERATIONS	631,105	394,061
OTHER (INCOME) EXPENSES:		
Interest expense	74,065	92,263
Interest income	(138,247)	(22,481)
Other, net	(65,046)	(41,727)
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	760,333	366,006
INCOME TAXES	296,500	157,383
EARNINGS BEFORE EXTRAORDINARY ITEM	463,833	208,623
EXTRAORDINARY ITEM, Utilization of net operating loss carryforward	–	71,137
NET EARNINGS	$ 463,833	$ 279,760
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:		
Before extraordinary item	$ 0.12	$ 0.09
Extraordinary item	0.00	0.03
Net earnings	$ 0.12	$ 0.12
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	3,951,017	2,332,182

See notes to consolidated financial statements.

NATIONAL REHABILITATION CENTERS, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 1992	December 31, 1991 (1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,909,627	$ 18,537,004
Accounts receivable, less allowance for doubtful accounts and contractual allowances of approximately $3,441,000 and $2,245,000, respectively	5,143,520	4,128,543
Deferred taxes	148,500	161,000
Prepaids and other current assets	393,251	247,069
TOTAL CURRENT ASSETS	21,594,898	23,073,616
PROPERTY AND EQUIPMENT, net	4,157,124	3,614,054
EXCESS OF COST OVER FAIR VALUE OF NET ASSETS ACQUIRED, net of accumulated amortization of $349,438 and $285,834, respectively	4,954,728	4,326,308
OTHER ASSETS	342,384	254,089
	$ 31,049,134	$ 31,268,067
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,800,717	$ 1,723,393
Due to Medicare	520,825	932,780
Accrued salaries and benefits	1,127,401	1,170,365
Accrued expenses	907,437	981,485
Income taxes	209,942	236,877
Other accrued liabilities	109,552	91,921
Current portion of long-term obligations	700,635	703,260
TOTAL CURRENT LIABILITIES	5,376,509	5,840,081
LONG-TERM OBLIGATIONS	2,409,406	2,655,908
COMMITMENTS		
COMMON STOCK - $.01 par value; authorized, 15,000,000 shares; issued and outstanding, 3,697,992 and 3,684,363, respectively	36,979	36,843
ADDITIONAL PAID-IN CAPITAL	26,436,106	26,408,943
ACCUMULATED DEFICIT	(3,209,866)	(3,673,708)
SHAREHOLDERS' EQUITY	23,263,219	22,772,078
	$ 31,049,134	$ 31,268,067

(1) Derived from December 31, 1991 audited financial statements.

See notes to consolidated financial statements.

NATIONAL REHABILITATION CENTERS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 463,833	$ 279,760
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	215,771	176,231
Amortization of deferred compensation	3,675	-
Provision for uncollectible accounts	415,930	304,717
Deferred income taxes	12,500	-
Change in assets and liabilities net of effects from purchase acquisitions:		
(Increase) decrease in:		
Accounts receivable	(1,001,348)	(668,173)
Prepaids and other current assets	(168,893)	(57,350)
Increase (decrease) in:		
Accounts payable	(160,095)	60,163
Due to Medicare	(445,971)	272,461
Accrued salaries and benefits	(142,482)	(56,831)
Accrued expenses	1,247	104,020
Income taxes	(26,932)	3,954
Other current liabilities	21,146	39,026
Deferred rent	(12,108)	10,283
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(823,727)	468,261
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of rehabilitation centers	(1,300,000)	(1,000,000)
Cash acquired in acquisitions	166,169	(6,446)
Additions to property and equipment	(474,722)	(107,637)
Disposals of property and equipment	1,881	-
(Increase) decrease in other assets	23,918	13,589
NET CASH USED IN INVESTING ACTIVITIES	(1,582,754)	(1,100,494)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to long-term obligations	-	168,657
Principal payments on long-term obligations	(244,520)	(53,328)
Borrowings under notes payable	-	86,000
Payments on notes payable	-	(342,047)
Increase in advances to affiliate	-	(3,233)
Proceeds from issuance of common stock	23,624	111,931
NET CASH USED IN FINANCING ACTIVITIES	(220,896)	(32,020)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,627,377)	(664,253)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,537,004	2,271,918
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 15,909,627	$ 1,607,665

See notes to consolidated financial statements.

NATIONAL REHABILITATION CENTERS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1992	1991
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 66,272	$ 82,000
Taxes	$ 312,007	$ 56,000

See notes to consolidated financial statements

NATIONAL REHABILITATION CENTERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1992

A. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

These financial statements, footnote disclosures and other information should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-K (File No. 33-42783) filed on March 30, 1992.

B. Earnings Per Share

Earnings per share is computed by dividing net earnings by the weighted average number of common shares and common shares equivalent outstanding.

C. Acquisitions

On January 1, 1992, the Company acquired the assets and assumed all liabilities of a partnership which operates a rehabilitation center in Orlando, Florida. The Company was formerly the general partner of the partnership and managed the rehabilitation center pursuant to a management agreement. In the first quarter of 1991, net patient service revenue included $65,000 in management fees from the partnership. The acquisition was accounted for as a purchase.

Effective April 1, 1992, the Company acquired substantially all of the assets and assumed substantially all of the liabilities of The Center for Spinal Evaluation & Rehabilitation and related entities (the "Business"). The Business owned and operated an outpatient rehabilitation center in Lubbock, Texas. The acquisition was accounted for as a purchase. The purchase price was: (i) $2,500,000 paid in cash, (ii) a promissory note bearing interest at six percent (6%) in the original principal amount of $1,800,000 payable over four years secured by the assets acquired and future acquired assets, (iii) 85,437 shares of the Registrant's common stock, and (iv) the assumption by the Company of all the liabilities of the sellers, which is estimated to be approximately $75,000. The terms of the agreement meet the conditions qualifying the acquisition as a significant subsidiary. It is impracticable to provide the required proforma financial information at this time. Such information will be filed as available.

NATIONAL REHABILITATION CENTERS, INC.
Management's Discussion and Analysis of the Financial Condition and Results of Operations

Results of Operations

For the three months ended March 31, 1992, the Company's net patient service revenue was $8,004,000 compared to $4,911,000 for the first quarter of 1991, an increase of 63%. Net patient service revenue of centers owned for two or more comparable reporting periods increased to 25%. Total patient visits for the first quarter was 97,136 versus 61,857 for visits the same period a year ago. This represented an increase of 57%.

Total operating expenses for the quarter ended March 31, 1992 were $7,372,000 compared to $4,517,000 for the first quarter of 1991. Payroll and benefits represented 48% of net patient service revenue for the quarter ended March 31, 1992 versus 44% for the first quarter of 1991. For the first quarter of 1992, the Company's operating margin was 7.9% versus 8.0% for the same period in 1991.

Earnings before extraordinary item for the three months ended March 31, 1992 were $464,000 compared to $209,000 for the same period in 1991, an increase of 122%. Net earnings for the first quarter were up 66% to $464,000 from $280,000 in 1991.

Earnings per common share before extraordinary item increased 33% to $0.12 versus $0.09 with 69% more shares outstanding. The weighted average shares outstanding in the first quarter of 1992 were 3,951,000 compared to 2,332,000 for the comparable period in the previous year. Earnings per common share after extraordinary item were $0.12 compared to $0.12 per share in the first quarter of 1991.

On January 1, 1992, the Company acquired the assets and assumed all liabilities of a partnership which operates a rehabilitation center in Orlando, Florida. The Company was formerly the general partner of the partnership and managed the rehabilitation center pursuant to a management Agreement. In the first quarter of 1991, net patient service revenue included $65,000 in management fees from the partnership.

Liquidity and Capital Resources

On November 6, 1991, the Company completed an initial public offering of its common stock which provided the Company with cash proceeds of approximately $16.7 million, not including estimated offering costs of approximately $500,000.

Cash and cash equivalents at March 31, 1992 were $15,910,000. Net cash used in operations was $824,000. In the first quarter, the Company paid $604,000 to Medicare intermediaries in initial settlements of 1991 cost reports and $312,000 in Federal and State

income taxes. The Company also purchased a rehabilitation center for $1,300,000 cash. Capital expenditures for the quarter were $475,000, which consisted primarily of computer and physical therapy equipment. Payments on long term obligations totaled $245,000.

Net accounts receivable as of March 31, 1992 were $5,144,000. Net accounts receivable days outstanding for the first quarter were 62 days.

The Company has a $2.5 million revolving credit facility with a commercial bank, which is available for acquisition funding, working capital and letters of credit. As of March 31, 1992, the company had $200,000 outstanding under this facility.

The Company believes that the revolving credit facility and cash and cash equivalents of $15,910,000 as of March 31, 1992 will be sufficient to meet the Company's capital requirements through the year ending December 31, 1992.

NATIONAL REHABILITATION CENTERS, INC.

FOR THE THREE MONTHS ENDED MARCH 31, 1992

PART II.	Other Information	
Item. 1.	Legal Proceedings	None
Item 2.	Changes in Securities	None
Item 3.	Defaults Upon Senior Securities	None
Item 4.	Submission of Matters to a Vote of Security Holders	None
Item 5.	Other Information	None
Item 6.	Exhibits and Reports on Form 8-K (17 CFR 249.308)	
	(a.) Exhibits	
	Exhibit 11 – Computation of Earnings Per Common and Common Equivalent Share	p.11
	(b.) Reports on Form 8-K	None

NATIONAL REHABILITATION CENTERS, INC. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

	Three Months Ended March 31,	
	1992	1991
PRIMARY		
Net Earnings as Reported:		
Before extraordinary item	$ 463,833	$ 208,623
Extraordinary item	–	71,137
Net earnings	$ 463,833	$ 279,760
Weighted Average Shares Outstanding:		
Common shares outstanding	3,690,596	1,891,158
Redeemable preferred stock	–	275,196
Common share equivalents (a)	260,421	108,462
Other dilutive securities (b)	–	57,366
Total	3,951,017	2,332,182
Primary Earnings per Common and Common Equivalent Share:		
Before extraordinary item	$ 0.12	$ 0.09
Extraordinary item	0.00	0.03
Net earnings	$ 0.12	$ 0.12
FULLY DILUTED		
Net Earnings as Reported:		
Before extraordinary item	$ 463,833	$ 208,623
Extraordinary item	–	71,137
Net earnings	$ 463,833	$ 279,760
Interest savings (net of tax) (c)	$ –	$ 12,500
Net Earnings as Adjusted:		
Before extraordinary item	$ 463,833	$ 221,123
Extraordinary item	–	71,137
Net earnings	$ 463,833	$ 292,260
Weighted Average Shares Outstanding:		
Common shares outstanding	3,690,596	1,891,158
Redeemable preferred stock	–	275,196
Convertible debt	–	63,742
Common share equivalents (a)	260,421	121,522
Other dilutive securities (b)	–	57,366
Total	3,951,017	2,408,984
Fully Diluted Earnings per Common and Common Equivalent Share:		
Before extraordinary item	$ 0.12	$ 0.09
Extraordinary item	0.00	0.03
Net earnings	$ 0.12	$ 0.12

(a) Dilutive effect of options and warrants calculated using the treasury stock method, modified for options and warrants in excess of 20% of outstanding shares, of which the assumed proceeds from exercise are assumed to be used to pay off debt.

(b) Dilutive effect of options issued during the twelve months prior to The Company's initial public offering at a price below the initial public offering price.

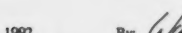
(c) Interest savings resulting from the presumed conversion of $500,000 bridge loans.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf of the undersigned thereunto duly authorized.

NATIONAL REHABILITATION CENTERS, INC.
(REGISTRANT)

Date: May 14, 1992

By: 
William F. Youree
President, Chief Executive Officer and Director

Date: May 14, 1992

By:
Stephen M. Mengert
Vice President of Finance and Chief Financial Officer